‘It’s just not sustainable’: D.C. restaurants pushed to the brink

In the wake of wage hikes and government layoffs, some owners say they can’t keep treading water.

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By Warren Rojas, Tim Carman and Emily Heil

“What you created here was really special,” a father stops to tell Brookland’s Finest co-owner Tony Tomelden while herding his two school-age kids out the restaurant’s door on a bustling Friday night. “This restaurant has given us so many happy nights.”

Tomelden puts down his tumbler of Irish whiskey and throws his arm around the guy’s shoulders, assuring the bummed-out well-wisher — one of many flooding back into the Northeast Washington hub in recent weeks for a last hurrah — that it’s not his fault the decade-old eatery is shuttering.

“I just couldn’t cut people. And that’s what we should have done,” Tomelden says of the minimum-wage-related pressures that ultimately forced his hand to close the restaurant on Sunday. “I thought things would change.”

The wistfulness of what could have been seems to spirit Tomelden away for a few seconds. A swig of Powers snaps him right back.

“I’m hanging in there,” Tomelden assures everyone within earshot, welcoming them all to visit him at his H Street dive bar, the Pug.

But that, of course, wouldn’t be the same to neighbors.

“There are so few places like this,” says Trevor Crowell, a self-described regular. He bills the critically acclaimed corner spot as an “unpretentious” go-to where he could grab a burger or beer with friends on a whim. Crowell is also concerned that the nearby City-State Brewing Co. will soon fold after it announced in late February that it quit producing beer.

Brookland’s Finest is one of dozens of D.C. restaurants expected to close this year, each with a different set of circumstances leading to its demise. Some factors — inflation, rising rents, crime, pandemic-related debt — are not limited to Washington. But some are: the thousands of government workers who find themselves in unemployment lines, their discretionary income for dining suddenly zeroed out.

Voters approved a ballot initiative in 2022 to phase out the lower minimum wage for tipped workers by 2027. That decision has become Public Enemy No. 1 for many restaurateurs. The stair-step increases in the tipped minimum wage have added hundreds of thousands of dollars to a restaurant's payroll costs, operators say, leading to widespread (and widely unpopular) service charges while cutting into already thin profit margins.

Initiative 82 has become such an albatross to owners that the Restaurant Association Metropolitan Washington has launched a campaign to repeal it, as first reported by Axios. No legislation has yet been introduced by the D.C. Council to roll back the initiative, but council member Anita Bonds (D-At Large) has been listening to people on both sides of I-82, sympathetic to the economic problems facing workers and employers alike.

Kevin Chavous, spokesman for Bonds, says she does not support a repeal but is "considering all options," including freezing the tipped minimum wage at $10 an hour. "Something has to be done just because of the damage that has been happening to the restaurant industry," he says.

Tomelden, who began his hospitality career 46 years ago by washing dishes and frying chicken at fast-food chain Roy Rogers, says navigating the local restaurant scene has been particularly challenging lately. Between the "bunker mentality" he suspects is keeping some diners home post-coronavirus shutdowns and the annual tipped staff pay raises, Tomelden says, treading water has been exhausting.

"If your customer base is shrinking and your payroll is doubling, tripling with the I-82 … all of those things just made it too big a hill to climb," he says.

Pre-pandemic, Tomelden says the growth potential at the easygoing restaurant that he launched in June 2014 alongside executive chef Shannan Troncoso and co-founder John Solomon seemed "unlimited."

"Before the lockdown, it was incredible," Tomelden says, recounting how, at its most prosperous, Brookland's Finest would be packed for dinner at 7 p.m. — then another crowd would file in around 9 p.m.

"Now we just do one turn," he laments. "And it's not because of Primrose and Brookland Pint," nearby restaurants. "Because they're also doing one turn instead of two."

When Brookland's Finest served lunch and dinner seven days a week, Tomelden says, he had 56 people on staff. After sales plummeted — shrinking from $2.9 million in 2019 to $1.6 million in 2023 — Tomelden says he begrudgingly slimmed down to 44 workers. And shutting down his Brookland spot won't spare him from having to shake things up at the Pug in a few weeks to cover the pending $2-per-hour wage hike for tipped employees.

"If 82 doesn't get paused or repealed in July, my payroll is going to go up 60 grand a year. That's two months of sales," he says of the "dire threat" to his six-person operation on H Street. "It's just not sustainable."

Jackie Greenbaum understands the stresses that I-82 has put upon small neighborhood restaurants like Brookland's Finest. She and business partner Gordon Banks operate El Chucho, Bar Charley and Little Coco's — and each has seen labor costs increase as a result.

Banks has crunched the numbers: For each $2 increase in the tipped minimum wage, the combined payroll at the three restaurants increases annually by about $250,000, or around $83,000 per restaurant. When I-82 was passed, the tipped minimum wage was $5.35 per hour; it's now $10 an hour, with another $2 increase scheduled in July. According to Banks's analysis, the payroll at each restaurant has increased by $208,000 since the initiative kicked in, Greenbaum says.

These payroll bumps exclude increases in the minimum wage for non-tipped employees, Greenbaum says. In July 2022, before the passage of I-82, the regular minimum stood at $16.10. It's now $17.50, with another 45-cent increase coming in July.

To cover the increased costs, restaurateurs have relied on a combination of strategies: raising menu prices, cutting staff, swallowing the costs or adding a service charge to checks. The latter strategy has become divisive as diners find themselves confused and angry about fees that add 20 percent or more to bills.

"We're all scrambling to try to figure out how to cover the costs and alienate customers the least," Greenbaum notes.

"Restaurateurs are not necessarily experts at this type of complicated analyses, assessments and strategies," she adds. "Most of us are just small-business owners with limited skill sets as businesspeople. I'm lucky that I came from a business background but, my God, when I think of all the mom-and-pop places or even perhaps a bit more experienced but still young single-spot indie-restaurant chef/owners, I am just so pessimistic that we as an industry are capable of addressing it before failing."

Full-service restaurants, Greenbaum says, were built on a decades-old model in which diner tips offset part of labor costs. Voters upended that model without understanding how it would affect the restaurants they love.

"Why is that not understandable how catastrophic that is?" she asks. "Unless you think that we're all lying and we make a ton of money."

Quantifying the damage is difficult. The local restaurant association says that 73 establishments closed last year, a figure based on crowdsourced information, such as news stories. But the number could be higher based on statistics from the D.C. Alcoholic Beverage and Cannabis Administration. Last year, an ABCA spokeswoman noted in an email, 101 restaurants and taverns canceled their liquor licenses. A cancellation typically means the business closed, but in rare instances it means the business simply stopped serving alcohol.

Those 101 cancellations last year represent a 58 percent increase over the licenses canceled in 2023. They are also just three fewer than all the restaurant and tavern cancellations in 2020, when the pandemic did its worst damage to the hospitality industry.

Tomelden's slashing of staff mirrors a pattern across the District in the second half of 2024. Starting in July, after the tipped minimum wage increased to $10 an hour, the full-service leisure and hospitality market began to shed jobs. It lost hundreds of them for five straight months last year, based on seasonally adjusted numbers from the U.S. Bureau of Labor Statistics. It started to recover only in December, when the industry added 303 jobs.

Part of the issue with restaurants like Brookland's Finest is that they're in neighborhoods with low population densities, says John Asadoorian, a retail real estate broker in Washington. Because of Washington's height limits, communities such as Brookland have a smaller pool of potential diners to keep restaurants afloat when economic conditions force people to cut back on spending. These diners may also choose to spend their discretionary income instead on restaurants in nearby neighborhoods with more robust and trendy dining scenes, such as Union Market, NoMa or Shaw, Asadoorian says.

The pandemic also had a yo-yo effect on communities and the businesses they support, real estate experts say. At first, as downtown buildings shut down, office staff and other nonessential workers spent more time in their neighborhoods, which was a boost to businesses, says Tracy Hadden Loh, a fellow at Brookings Metro who tracks commercial real estate and development. (Tomelden, incidentally, says Brookland's Finest didn't benefit from the shift: "We're ringing half of what we did before the lockdown. There's a certain bunker mentality that was starting to be a fact of life in general.")

But return-to-office mandates, including one from the federal government, have shifted the workforce back to traditional office spaces, cutting into the money people once spent in their neighborhoods, real estate experts says. What's more, the Trump administration has been downsizing the federal government. Numbers are difficult to come by because of legal challenges to many of the firings and layoffs, but, according to the D.C. Office of the Chief Financial Officer, the federal workforce in Washington is projected to decline by 40,000 employees, or 21 percent, by fiscal 2029. Largely because of the reduced workforce, the city has significantly revised its financial forecasts for the next several years, projecting that the District's revenue will decline by an average of $342 million annually.

It all adds up, restaurateurs and real estate professionals say, to jittery Washingtonians who are reluctant to spend on luxuries such as dining out.

"One of the biggest reasons why the restaurant industry suffered across the board everywhere is just the cost of going out to eat," says chef and restaurateur Robert Wiedmaier, who closed two restaurants in Washington last year, including his fine-dining flagship, Marcel's.

"It's expensive to go out to eat. It used to be if you went to a really fine-dining restaurant — and it's still like that — you'd drop $300 to $400," Wiedmaier adds. "But now you're dropping $250 for four at a mediocre restaurant."

For his part, Tomelden is trying to grow from this experience, but he also urges civic leaders to do some soul-searching, too.

"D.C. needs to decide if it's going to be a city full of big corporate chain places or local mom-and-pops," he says. If it's the former, "family-style places are just going to go away."

Meanwhile, Tomelden is exploring ways others might still benefit from his mistakes.

"I'm trying to come up with some kind of arrangement to have somebody who's more savvy at staffing come in," Tomelden says. He left the door open to participating in a future venture at Brookland's Finest but stressed that any new owners would need to be clear-eyed about what it takes to survive in the D.C. dining scene.

“They’re going to come in here knowing that we don’t ring as much as we did,” he says.

Stephanie Coleman, Tomelden’s wife, summed up the roller-coaster ride that was Brookland’s Finest: a rough start (“it was met with a lot of suspicion”), some bumps along the way (like the sudden passing of longtime general manager Amy Ballard last summer) and a few genuine screams (“we were making a lot of money”).

The hardest part, she says, is saying goodbye to something that was truly a family affair.

“It’s not just financial,” Coleman says. “This is our community.”

Federica Cocco contributed to this report.

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